

**VILLAGE OF SANFORD**  
Midland County, Michigan

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**FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended (V1.07)

Unit Name* Village of Sanford	County* MIDLAND	Type* VILLAGE	MuniCode* 56-3-010
Opinion Date-Use Calendar* Dec 8, 2008	Audit Submitted-Use Calendar* Dec 9, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 156,490.00
General Fund Expenditure: ?	\$ 153,243.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 179,289.00
Governmental Activities Long-Term Debt (see instructions): ?	\$ 81,646.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Mark	Last Name* Freed	Ten Digit License Number* 1101012221		
CPA Street Address* 5915 Eastman Ave Suite 100	City* Midland	State* MI	Zip Code* 48640	Telephone* +1 (989) 835-7721
CPA Firm Name* Burnside & Lang, P.C.	Unit's Street Address* P.O. Box 199	Unit's City* Sanford	Unit's Zip* 48657	

**VILLAGE OF SANFORD**  
**VILLAGE COUNCIL**

**Kurt Cormier**

**President**

**Shannon Hartshorn**

**Clerk**

**Catherine Kraft**

**Deputy Clerk**

**Linda Geiger**

**Treasurer**

**Barbara Piper**

**Deputy Treasurer**

**AUDITED FINANCIAL STATEMENTS**  
**For the year ended June 30, 2008**

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Independent Auditors' Report

To the Village Council  
Village of Sanford  
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sanford (the "Village"), Midland County, Michigan, as of and for the year ended June 30, 2008 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sanford, Midland County, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 19 through 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The other supplementary information on page 22 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Burnside & Lang, P.C.*

Midland, Michigan  
December 8, 2008

**Village of Sanford  
Management's Discussion & Analysis  
June 30, 2008**

The Village of Sanford has four separate funds. Each month a financial statement is prepared for each fund on a cash basis. Please find the 6/30/08 financials enclosed.

**Financial Highlights**

Revenue was slightly higher. Total revenue was approximately \$281,000; expenditures were just under \$227,000. Fund balance went up over \$54,000.

**Individual Funds**

**General Fund:** This fund is used to record all activities of the Village that aren't required to be recorded in a separate fund. Large expenses include park maintenance, utilities and employee salaries.

**Major Streets:** This fund is used to record revenues and expenses for major (state owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes. The primary task is to keep streets in good working condition.

**Local Streets:** This fund is used to record revenues and expenses for local (Village owned) streets. Local street revenue comes from property taxes and from the state. The primary task is to keep streets in good working condition.

**Liquor Fund:** The state pays a fee to hire a Liquor Inspector. Over \$1,400.00 comes in as revenue and goes back out for salary.

**Utility Account:** This money is set aside, inside the General Fund, in hopes of a sewer treatment plant for the Village of Sanford in the future. The money to start this account came from Water District #1. Our balance in this account is over \$64,000.00.

**Budget**

The budget is amended to correct unforeseen expenses but overall was very stable and right on target.

**Capital Assets and Long-Term Debt Activity**

New assets of \$5,588.00 include electrical service in the park pavilion, repair to Irish road, and a new mower. The Village did not incur any new debt during this fiscal year.

**Infrastructure Assets**

A list of all assets has been compiled.

**Future Plans**

The Village plans for the future is to continue to improve our community for our taxpayers in the way they direct us.

**Contact**

Any questions or concerns call Linda Geiger, Village Treasurer. (989) 687-5077

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

**June 30, 2008**

**ASSETS**

**CURRENT ASSETS:**

Cash in bank	\$ 767,011
Due from State of Michigan	<u>12,187</u>

Total Current Assets	<u>779,198</u>
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**NON-CURRENT ASSETS:**

Capital Assets	577,210
Less: Accumulated Depreciation	<u>(240,105)</u>
Net capital assets	337,105
Lease receivable	<u>81,646</u>

Total Non-current Assets	<u>418,751</u>
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<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,197,949</u></u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

**CURRENT LIABILITIES:**

Accounts payable	<u>\$ 7,338</u>
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Total Current Liabilities	<u>7,338</u>
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**NON-CURRENT LIABILITIES:**

Security deposit	450
Deferred revenue	81,646
Loan payable	<u>81,646</u>

Total Non-Current Liabilities	<u>163,742</u>
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Total Liabilities	<u>171,080</u>
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**NET ASSETS:**

Invested in Capital Assets, Net of Related Debt	255,459
Unrestricted	<u>771,410</u>

Total Net Assets	<u>1,026,869</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,197,949</u></u></b>
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The accompanying notes are an integral part of the financial statements.



**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2008**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Legislative	\$ 60,637	\$ -	\$ -	\$ (60,637)
General government	36,293	-	-	(36,293)
Public safety	9,005	4,971	-	(4,034)
Public works	64,693	-	28,483	(36,210)
Recreation and culture	51,261	-	-	(51,261)
Interest on long-term debt	4,638	-	-	(4,638)
Total Governmental Activities	<u>\$ 226,527</u>	<u>\$ 4,971</u>	<u>\$ 28,483</u>	<u>(193,073)</u>
General Revenues:				
Property taxes				52,884
State revenue sharing				143,846
Rents				5,430
Interest				30,679
Received from other governments				14,842
Miscellaneous				<u>116</u>
Total General Revenues				<u>247,797</u>
Change in net assets				54,724
Net assets, beginning of year				<u>972,145</u>
Net assets, end of year				<u>\$ 1,026,869</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BALANCE SHEET-GOVERNMENTAL FUNDS**

**June 30, 2008**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Liquor</u>
<b>ASSETS</b>				
Cash in bank	\$ 185,293	\$ 252,600	\$ 327,923	\$ 1,195
Due from State of Michigan	-	8,745	3,442	-
Due from utility fund	1,000	-	-	-
Lease receivable	81,646	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$ 267,939</u></b>	<b><u>\$ 261,345</u></b>	<b><u>\$ 331,365</u></b>	<b><u>\$ 1,195</u></b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Security deposit	\$ 450	\$ -	\$ -	\$ -
Accounts payable	5,554	537	1,247	-
Deferred revenue	81,646	-	-	-
Due to general fund	1,000	-	-	-
Total liabilities	<u>88,650</u>	<u>537</u>	<u>1,247</u>	<u>-</u>
Fund Equity				
Total fund equity	<u>179,289</u>	<u>260,808</u>	<u>330,118</u>	<u>1,195</u>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 267,939</u></b>	<b><u>\$ 261,345</u></b>	<b><u>\$ 331,365</u></b>	<b><u>\$ 1,195</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2008**

TOTAL FUND BALANCES-GOVERNMENTAL FUNDS	\$ 771,410
Amounts reported for governmental activities in the statement of net assets are different because-	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	577,210
Accumulated depreciation	(240,105)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds balance sheet:	
Loan payable	<u>(81,646)</u>
<b>TOTAL NET ASSETS-GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,026,869</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2008**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Liquor</u>	<u>Total</u>
<b>Revenue:</b>					
Property taxes	\$ 52,884	\$ -	\$ -	\$ -	\$ 52,884
State revenue sharing	68,070	53,404	20,914	1,458	143,846
Licenses & permits	4,971	-	-	-	4,971
Interest	10,052	9,976	10,648	3	30,679
Rents	5,430	-	-	-	5,430
Received from other Governments	14,842	-	28,483	-	43,325
Miscellaneous	241	-	-	-	241
<b>Total revenues</b>	<b><u>156,490</u></b>	<b><u>63,380</u></b>	<b><u>60,045</u></b>	<b><u>1,461</u></b>	<b><u>281,376</u></b>
<b>Expenditures:</b>					
Legislative:					
Village Council	60,637	-	-	-	60,637
General government:					
Clerk	11,853	-	-	-	11,853
Treasurer	9,525	-	-	-	9,525
Public safety:					
Liquor control	-	-	-	1,292	1,292
Building inspection	7,713	-	-	-	7,713
Public works:					
Highways and streets	-	37,855	13,800	-	51,655
Recreation and culture:					
Village park	31,963	-	-	-	31,963
Other programs	13,884	-	-	-	13,884
Capital outlay	2,788	-	2,800	-	5,588
Debt service:					
Principal	10,242	-	-	-	10,242
Interest	4,638	-	-	-	4,638
<b>Total expenditures</b>	<b><u>153,243</u></b>	<b><u>37,855</u></b>	<b><u>16,600</u></b>	<b><u>1,292</u></b>	<b><u>208,990</u></b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,247</b>	<b>25,525</b>	<b>43,445</b>	<b>169</b>	<b>72,386</b>
Fund balance, beginning	176,042	235,283	286,673	1,026	699,024
<b>Fund balances-ending</b>	<b><u>\$ 179,289</u></b>	<b><u>\$ 260,808</u></b>	<b><u>\$ 330,118</u></b>	<b><u>\$ 1,195</u></b>	<b><u>\$ 771,410</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN-**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**Year ended June 30, 2008**

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	\$	72,386
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures: in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense		(33,367)
Capital Outlay Additions		5,588
Capital Disposition		(125)

Repayment of debt principal is an expenditure in the governmental funds, the repayment  
does not have an effect in the statement of activities but does reduce the debt balance  
in the statement of net assets

Principal payments on long-term debt		<u>10,242</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>54,724</u></u>
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The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Sanford conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

**Reporting Entity**

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Sanford. The Village is governed by an elected Village Council. As required by generally accepted accounting principles (GAAP), these financial statements present the Village as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

**Governmental Funds**

The government reports the following major funds:

The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

The Major Street Fund accounts for the receipt and expenditures of State motor fuel taxes which are earmarked by law for major street and highway purposes.

The Local Street Fund is used to account for the receipt and expenditure of State motor fuel taxes which are earmarked by law for local street and highway purposes.

The Liquor Fund accounts for the receipt and expenditures of State liquor control funding.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Bank deposits and investments**

Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less.

**Receivables**

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

**Inventories**

Inventories of supplies are considered to be immaterial and are not recorded.

**Property Taxes**

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

**Capital Assets**

Capital assets are defined by the Village as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
Furniture and equipment	3-20 years



**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

Village employees are not allowed to accumulate vacation and sick pay, and therefore, no accumulated amount is recorded in the financial statements.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Encumbrances**

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

**NOTE 2. BUDGETS AND BUDGETARY ACCOUNTING**

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village council for consideration.
2. The proposed budgets include expenditures, as well as, the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village council during the fiscal year.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<b>Budgeted Item</b>	<b>Budget Appropriation</b>	<b>Actual Expenditure</b>
General Fund – Village Council	\$ 57,090	\$ 60,727
General Fund – Park Other Programs	6,887	13,884
General Fund – Capital Outlay	0	2,788

**NOTE 4. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village council has designated seven banks for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amount</u>
Insured (FDIC)	\$ 767,010
Uninsured and Uncollateralized	<u>-</u>
<b>Total</b>	<b><u>\$ 767,010</u></b>

Amounts in the bank balances are without considering deposits in transit or uncleared checks. The Village of Sanford did not have any investments as of June 30, 2008.

**Investment and Deposit Risk**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had no bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Village of Sanford will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Village had no investment activity.

**Interest Rate Risk.** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Village's current investments have no potential interest rate risk.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the Village's Governmental activities for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated				
Land	\$ 77,804	\$ -	\$ -	\$ 77,804
Capital Assets Being Depreciated				
Buildings	212,812	1,600	-	214,412
Equipment	111,757	1,188	(4,513)	108,432
Land Improvements	173,762	2,800	-	176,562
Subtotal	498,331	5,588	(4,513)	499,406
Less Accumulated Depreciation for				
Buildings	97,458	13,700	-	111,158
Equipment	58,456	13,431	(4,388)	67,499
Land Improvements	55,212	6,236	-	61,448
Subtotal	211,126	33,367	(4,388)	240,105
Net Capital Assets Being Depreciated	287,205	(27,779)	(125)	259,301
<b>Governmental Activities Capital Assets – Net of Depreciation</b>	<b>\$ 365,009</b>	<b>\$ (27,779)</b>	<b>\$ (125)</b>	<b>\$ 337,105</b>

Depreciation expense was charged to programs of the Village as follows:

General government	\$ 14,915
Recreation and culture	5,414
Public works	13,038
<b>Total</b>	<b>\$ 33,367</b>

**NOTE 6. CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Building loan payable	\$ 91,888	\$ -	\$ (10,242)	\$ 81,646

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 6. CHANGES IN LONG-TERM DEBT (Continued)**

Scheduled principal maturities of long-term debt for years subsequent to June 30, 2008, are as follows:

<b>Year Ended June 30,</b>	<b>Amount</b>
2009	\$ 10,791
2010	11,369
2011	11,978
2012	12,619
2013	13,295
2014-2015	<u>21,594</u>
<b>Total</b>	<b><u>\$ 81,646</u></b>

**NOTE 7. BUILDING LOAN PAYABLE**

On October 15, 1999, the Village obtained a loan for \$150,000 for the purpose of funding the purchase of a building to be used as a Water District No.1 Office Building. The building is being paid for in sixty quarterly payments of \$3,710, including interest at the rate of 2.25% per annum. As of June 30, 2008, the principal balance outstanding on the building was \$81,646.

**NOTE 8. LEASE COMMITMENT**

The Village constructed a building for the Midland County Water District No.1 (the Authority) at a total cost of \$150,000.

The Village entered into a capital lease with the Authority for the sale of the building at an amount of \$150,000. As of June 30, 2008, the balance of the lease receivable was \$81,646, as was the balance of the corresponding construction loan. The principal and interest payments by the Authority for the construction loan are accounted for as revenue in the period paid. The amounts to be received from the Authority, under the lease commitment, are identical to the amounts due on the building loan payable.

**NOTE 9. MIDLAND COUNTY WATER DISTRICT NO.1**

The Village is designated as a Constituent of the Authority. The Authority was acquired and financed pursuant to a contract between the Township of Lincoln, the Village of Sanford and the Township of Jerome. The Authority is a public body corporate with the power to sue or be sued by the state. It is not considered a component unit of the Village.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 10. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11. BUILDING PERMITS**

As of June 30, 2008, the Village had building permit revenues of \$4,971 and building permit expenses of \$7,713.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

**Year ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Property taxes	\$ 47,420	\$ 50,170	\$ 52,884	\$ 2,714
State revenue sharing	64,850	66,400	68,070	1,670
Licenses & permits	1,010	2,450	4,971	2,521
Interest	4,950	4,500	10,052	5,552
Rents	6,460	5,850	5,430	(420)
Lease	-	-	14,842	14,842
Miscellaneous	160	350	241	(109)
<b>Total revenues</b>	<u>124,850</u>	<u>129,720</u>	<u>156,490</u>	<u>26,770</u>
<b>Expenditures:</b>				
Legislative:				
Village Council	55,605	57,090	60,637	(3,547)
General government:				
Clerk	12,320	12,580	11,853	727
Treasurer	10,925	10,970	9,525	1,445
Public safety:				
Building inspection	8,045	8,045	7,713	332
Recreation and culture:				
Village park	37,670	31,963	31,963	-
Other programs	-	6,887	13,884	(6,997)
Capital outlay	-	-	2,788	(2,788)
Debt service:				
Principal	-	-	10,242	10,242
Interest	-	-	4,638	4,638
<b>Total expenditures</b>	<u>124,565</u>	<u>127,535</u>	<u>153,243</u>	<u>4,052</u>
<b>Excess of revenues over expenditures</b>	<b>285</b>	<b>2,185</b>	<b>3,247</b>	<b>30,822</b>
Fund balance, July 1	<u>98,906</u>	<u>97,456</u>	<u>176,042</u>	<u>78,586</u>
<b>Fund Balance, June 30</b>	<u><b>\$ 99,191</b></u>	<u><b>\$ 99,641</b></u>	<u><b>\$ 179,289</b></u>	<u><b>\$ 109,408</b></u>

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BUDGETARY COMPARISON SCHEDULE-MAJOR STREET FUND**

**Year ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
State revenue sharing	\$ 49,000	\$ 49,000	\$ 53,404	\$ 4,404
Interest	5,800	5,800	9,976	4,176
<b>Total revenues</b>	<u>54,800</u>	<u>54,800</u>	<u>63,380</u>	<u>8,580</u>
<b>Expenditures:</b>				
Public works:				
Highways and streets	183,795	174,000	37,855	136,145
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>183,795</u>	<u>174,000</u>	<u>37,855</u>	<u>136,145</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(128,995)</b>	<b>(119,200)</b>	<b>25,525</b>	<b>144,725</b>
Fund balance, July 1	<u>160,952</u>	<u>160,952</u>	<u>235,283</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u><b>\$ 31,957</b></u>	<u><b>\$ 41,752</b></u>	<u><b>\$ 260,808</b></u>	<u><b>\$ 144,725</b></u>



**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BUDGETARY COMPARISON SCHEDULE-LOCAL STREET FUND**

**Year ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
State revenue sharing	\$ 19,000	\$ 19,000	\$ 20,914	\$ 1,914
Received from other governments	25,000	25,000	28,483	3,483
Interest	9,000	9,000	10,648	1,648
<b>Total revenues</b>	<u>53,000</u>	<u>53,000</u>	<u>60,045</u>	<u>7,045</u>
<b>Expenditures:</b>				
Public works:				
Highways and streets	45,370	45,370	13,800	31,570
Capital outlay	-	-	2,800	(2,800)
<b>Total expenditures</b>	<u>45,370</u>	<u>45,370</u>	<u>16,600</u>	<u>28,770</u>
<b>Excess of revenues over expenditures</b>	<b>7,630</b>	<b>7,630</b>	<b>43,445</b>	<b>35,815</b>
Fund balance, July 1	<u>239,822</u>	<u>239,822</u>	<u>286,673</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u><b>\$ 247,452</b></u>	<u><b>\$ 247,452</b></u>	<u><b>\$ 330,118</b></u>	<u><b>\$ 35,815</b></u>

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT**

**Year ended June 30, 2008**

**Village Council:**

Professional services	\$ 5,577
Printing and publishing	755
Salary & fringe benefits	1,858
Insurance	10,163
Street lights	20,131
Sanford Historical Society	2,500
Yard waste collection	5,033
Property taxes	2,568
Maintenance & repair	2,044
Utilities	5,091
Sanford Lake assessment	850
Sanford Beautification	1,794
Education & training	144
Miscellaneous	2,129
	<u>60,637</u>

**Clerk:**

Salary & fringe benefits	9,030
Office supplies	341
Education & Training	259
Transportation	273
Maintenance & repair	1,345
Utilities	605
	<u>11,853</u>

**Treasurer:**

Salary & fringe benefits	8,700
Fringe benefits	666
Office supplies	159
	<u>9,525</u>

**Building inspection & Liquor Control:**

Salary & fringe benefits	7,234
Transportation	99
Education & training	352
Office supplies	28
	<u>7,713</u>

**Village park & Other programs:**

Salary & fringe benefits	20,288
Sanitation	5,317
Utilities	1,236
Maintenance & repairs	5,122
Other programs	13,884
	<u>45,847</u>

**Capital outlay**

2,788

**Debt service**

14,880

**Total Expenditures**

\$ 153,243

December 8, 2008

Members of the Village Council  
Village of Sanford  
Midland County, Michigan

Dear Council Members:

In planning and performing our audit of the financial statements of the Village of Sanford (the "Village") for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

## **MANAGEMENT COMMENTS**

### **Financial Oversight (Repeat Comment)**

The general limitations in any smaller organization like the Village of Sanford require that the Village Board of Council Members continue to remain involved in the financial affairs of the Village through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the interim financial statements, and the

Financial Oversight (Repeat Comment) (Continued)

independent review of critical functions. Based on inquiries, the Village Board of Council Members perform these duties and our comment here is intended to emphasize the importance of its oversight.

This report is intended for the information of the members of the Village of Sanford Council Members, management and the State of Michigan.

This communication is intended solely for the information and use of management, Village of Sanford Council Members, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be "Burnside & Lang", written in a cursive, stylized script.

**BURNSIDE & LANG, P.C.**

December 8, 2008

Members of the Village  
Village Council  
Village of Sanford  
Midland County, Michigan

Dear Village Council:

We have audited the financial statements of the Village of Sanford (the "Village") for the year ended June 30, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 2, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The only estimate for the Village in the year ended June 30, 2008 was for the depreciation of fixed assets.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Other Matter**

#### *Internal Control Policies*

Statement on Auditing Standard (SAS) No. 99, requires auditors to assess risks of fraud after taking into account the evaluation of the Organization's programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend that management and the board periodically review the controls in place to prevent, deter and detect fraud.

### **Conclusion**

This report is intended solely for the information and use of the Village's Board of Council Members and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sincerely,



**BURNSIDE & LANG, P.C.**